

AKRON-WESTFIELD
COMMUNITY SCHOOL DISTRICT

Akron, Iowa

Independent Auditor's Reports
Basic Financial Statements,
Required Supplemental Information,
Supplemental Information and Schedule of Findings

June 30, 2016

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2016

BOARD OF EDUCATION
(After September 2015 Election)

Nick Schoenfelder	President	2017
Jodi Thompson	Vice President	2019
Phil Parks	Board Member	2017
Josh Martinsen	Board Member	2017
Cory Tucker	Board Member	2017
Nick Mathistad	Board Member	2019
Deb Jordt	Board Member	2019

SCHOOL OFFICIALS

Randy Collins	Superintendent	2016
Mandy McCully	Board Secretary/Treasurer	2016
James Hanks	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Akron-Westfield Community School District
Akron, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Akron-Westfield Community School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Akron-Westfield Community School District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share

of the Net Pension Liability, the Schedule of the District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 42 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2017 on our consideration of the Akron-Westfield Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Akron-Westfield Community School District's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
February 2, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Akron-Westfield Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 Financial Highlights

General Fund revenues increased from \$5,724,921 in fiscal year 2015 to \$5,877,250 in fiscal year 2016, and General Fund expenditures increased from \$5,573,223 in fiscal year 2015 to \$5,872,421 in fiscal year 2016. The District's General Fund balance increased from \$1,931,979 in fiscal year 2015 to \$1,936,808 in fiscal year 2016, a 0.3 percent increase.

The increase in the General Fund balance was due to increased local tax revenues.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan, Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District Contributions

Other Supplementary Information provides detailed information about the Capital Project Funds and other non-major governmental funds

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another

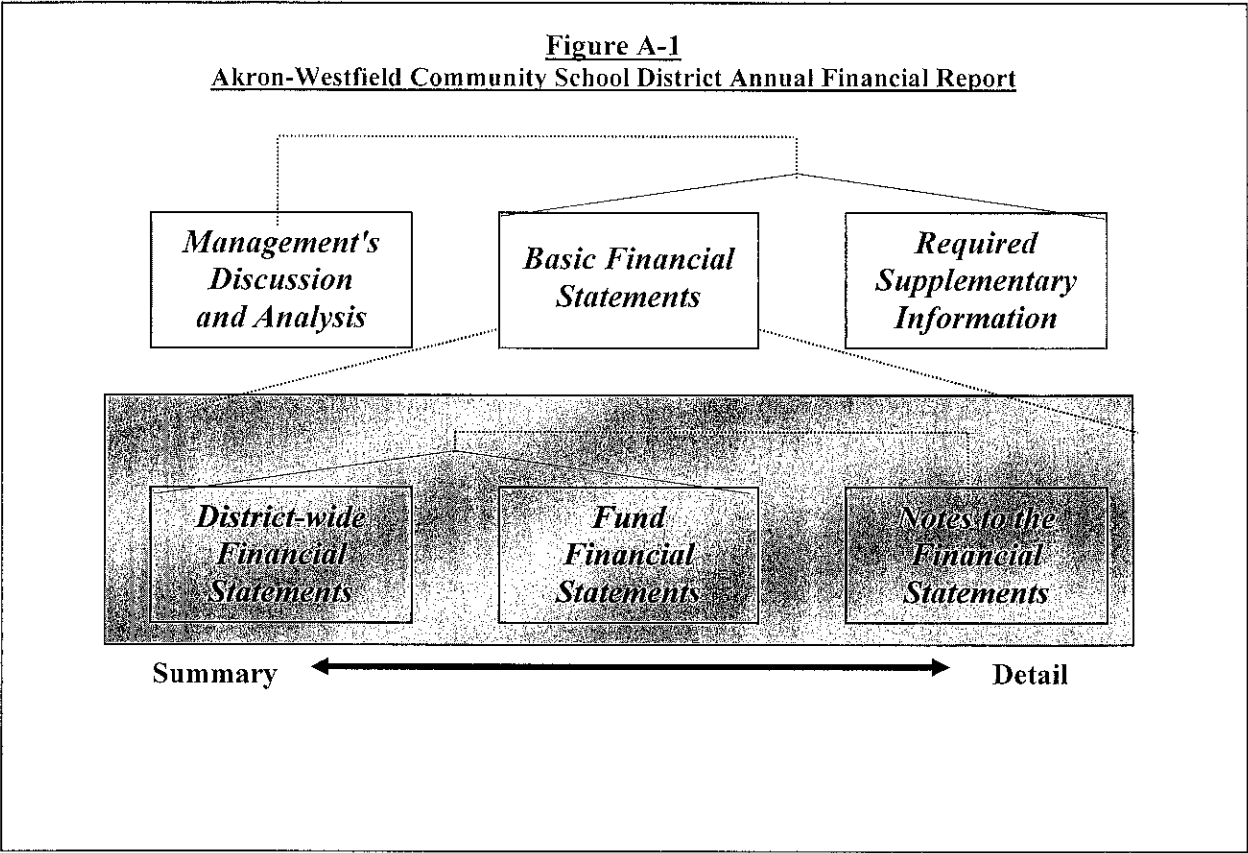


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<p align="center">Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</p>				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Reporting The District's Financial Activities

Government-Wide Financial Statements - The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements - The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) Fiduciary funds: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's agency funds include the athletic boosters account and the employee flex account.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net assets and liabilities, if applicable.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-3 (In Thousands)
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		Total
	2016	2015	2016	2015	2016	2015	Percentage Change
Current and other assets	\$ 6,384	\$ 6,219	\$ 205	\$ 190	\$ 6,589	\$ 6,409	2.81%
Capital assets	<u>4,458</u>	<u>4,682</u>	<u>39</u>	<u>45</u>	<u>4,497</u>	<u>4,727</u>	-4.87%
Total assets	<u>10,842</u>	<u>10,901</u>	<u>244</u>	<u>235</u>	<u>11,086</u>	<u>11,136</u>	-0.45%
Deferred Outflows of Resources	<u>778</u>	<u>411</u>	<u>35</u>	<u>19</u>	<u>813</u>	<u>430</u>	89.07%
Long-term liabilities	3,220	3,192	128	103	3,348	3,295	1.61%
Other liabilities	<u>1,135</u>	<u>790</u>	<u>6</u>	<u>6</u>	<u>1,141</u>	<u>796</u>	43.34%
Total liabilities	<u>4,355</u>	<u>3,982</u>	<u>134</u>	<u>109</u>	<u>4,489</u>	<u>4,091</u>	9.73%
Deferred Inflows of Resources	<u>2,820</u>	<u>3,115</u>	<u>26</u>	<u>35</u>	<u>2,846</u>	<u>3,150</u>	-9.65%
Net Position:							
Net investment in							
capital assets	4,127	4,295	39	45	4,166	4,340	-4.01%
Restricted	1,256	886	-	-	1,256	886	41.76%
Unrestricted	<u>-938</u>	<u>-966</u>	<u>80</u>	<u>66</u>	<u>-858</u>	<u>-900</u>	-4.67%
Total net position	<u>\$ 4,445</u>	<u>\$ 4,215</u>	<u>\$ 119</u>	<u>\$ 111</u>	<u>\$ 4,564</u>	<u>\$ 4,326</u>	5.50%

The District's combined net position increased by \$239,408 over the fiscal year 2015 restated amount. The governmental activities increased \$230,668 and the business-type activities increased \$8,740.

Net investment in capital assets represents land, infrastructure, buildings and equipment less the related debt which is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constructional provisions or enabling legislation on how they can be used.

Unrestricted net position represent resources that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-4 (In Thousands)
Change in Net Position from Operations

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total</u>
	2016	2015	2016	2015	2016	2015	<u>Percentage Change</u>
Revenues:							
Program Revenues:							
Charges for services	\$ 1,067	\$ 1,045	\$ 237	\$ 229	\$ 1,304	\$ 1,274	2.35%
Operating grants, contributions and restricted interest	780	760	146	151	926	911	1.65%
Capital grants, contributions and restricted interest	1	6	-	-	1	6	-83.33%
General revenues:							
Property tax	2,040	2,261	-	-	2,040	2,261	-9.77%
Local surtax	118	98	-	-	118	98	20.41%
State sales, service and use tax	798	532	-	-	798	532	50.00%
Unrestricted state grants	2,364	2,474	-	-	2,364	2,474	-4.45%
Investment earnings	4	3	-	-	4	3	33.33%
Miscellaneous	102	18	-	-	102	18	466.67%
Total revenues	7,274	7,197	383	380	7,655	7,577	1.06%
Expenses:							
Instruction	4,572	4,220	-	-	4,572	4,220	8.34%
Support services	1,970	1,866	-	-	1,970	1,866	5.57%
Non-instructional	10	9	375	355	385	364	5.77%
Other expenses	492	556	-	-	492	556	-11.51%
Total expenses	7,044	6,651	375	355	7,419	7,006	5.89%
Change in net position	230	546	8	25	238	571	-58.32%
Net position beginning of year	4,215	3,669	111	86	4,326	3,755	15.21%
Net position end of year	\$4,445	\$ 4,215	\$ 119	\$ 111	\$ 4,564	\$ 4,326	5.50%

In fiscal year 2016, property tax and unrestricted state grants accounted for 60.5 percent of the total revenue (65.8 percent in 2015). The District's expenses primarily relate to instruction and support services, which account for 92.8 percent of the total expenses (91.5 percent in 2015).

As shown in Figure A-4, the District as a whole experienced a 1.06 percent increase in revenues and a 5.89 percent increase in expenses. The increase in expenses is related to the increase in instruction expenses which is primarily due to the costs associated with providing quality programs for student instruction.

Governmental Activities - Revenues for governmental activities were \$7,274,014 and expenses were \$7,043,346.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses, for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-5 (In Thousands)

	Total Cost of Services			Net Cost of Services		
	2016	2015	Percent Change	2016	2015	Percent Change
Instruction	\$ 4,572	\$ 4,220	8.34%	\$ 3,061	\$ 2,766	10.67%
Support services	1,970	1,866	5.57%	1,846	1,775	4.00%
Non-instructional	10	9	11.11%	10	9	11.11%
Other expenses	492	556	-11.51%	277	290	-4.48%
Totals	<u>\$ 7,044</u>	<u>\$ 6,651</u>	<u>5.91%</u>	<u>\$ 5,194</u>	<u>\$ 4,480</u>	<u>15.94%</u>

- The cost financed by users of the District's programs was \$1,067,027.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$781,282.
- The net cost of governmental activities was financed with \$2,039,955 in property taxes, \$2,364,301 in unrestricted state grants, \$117,778 in local surtax and \$798,251 in statewide sales, services and use tax.

Business-Type Activities - Revenues for business-type activities during the year ended June 30, 2016 totaled \$383,696 representing a 0.91 percent increase from the prior year, while expenses were \$374,956, a 5.5 percent increase from the prior year. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2016, the District saw increases in both revenues and expenses due to an increase in student participation, increase student lunch fees, and income received from West Sioux for 60% of the food service director's salary and benefits. The school was able to effectively match costs with the available revenues.

Governmental Fund Analysis

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,280,928, which is more than last year's ending fund balances of \$2,970,046.

Governmental Fund Highlights

The General Fund balance increased from \$1,931,979 in fiscal year 2015 to a balance of \$1,936,808 in fiscal year 2016. The increase in the General Fund balance is attributed to increased local tax revenue.

The Statewide Sales, Services and Use Tax Fund balance increased from \$578,899 in fiscal year 2015 to \$865,359 in fiscal year 2016 due to Capital Projects that were implemented and completed in fiscal year 2016. Capital Projects funds are being accumulated for future facility and equipment expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$110,524 at June 30, 2015 to \$119,264 at June 30, 2016 due to the increase in district revenue received in fiscal year 2016.

Budgetary Highlights

The District's total revenues were \$382,709 more than budgeted revenues, a variance of 5 percent. The District's total expenditures were \$1,777,101 less than budgeted, a variance of 19.5 percent. Details can be found in the required supplementary information section of this report as required.

Capital Assets and Debt Administration

Capital Assets - As of June 30, 2016, the District had invested \$4,457,852 net of accumulated depreciation in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, intangible assets, and transportation equipment. (See Figure A-6.) Total depreciation expense for the year was \$395,532.

Figure A-6 (In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Percent Change</u>
	2016	2015	2016	2015	2016	2015	
Land	\$ 11	\$ 11	\$ -	\$ -	\$ 11	\$ 11	0.0%
Land improvements	324	324	-	-	324	324	0.0%
Construction in progress	81	132	-	-	81	132	-38.64%
Buildings	8,381	8,181	-	-	8,381	8,181	2.44%
Intangibles	52	52	-	-	52	52	0.0%
Furniture and equipment	1,740	1,732	140	133	1,880	1,865	-0.80%
Less: accumulated							
Depreciation	(6,132)	(5,751)	(101)	(88)	(6,233)	(5,839)	6.74%
Total	<u>\$ 4,457</u>	<u>\$ 4,681</u>	<u>\$ 39</u>	<u>\$ 45</u>	<u>\$ 4,496</u>	<u>\$ 4,726</u>	<u>-4.87%</u>

Long-Term Liabilities - As of June 30, 2016, the District had \$330,991 in capital lease obligations, \$179,403 in early retirement obligations outstanding, \$687,722 in net OPEB obligations, and \$2,537,811 in net pension liabilities (total of \$3,735,927). Table A-7 summarizes the District's long-term liabilities as of June 30, 2016 and 2015. Additional information about the District's long-term liabilities is presented in Note 6 to the financial statements.

Figures A-7 (In Thousands)

Long-Term Liabilities

	<u>Total District</u>		<u>Total Change</u>
	<u>2016</u>	<u>2015</u>	
Capital Lease	\$ 331	\$ 480	-31.04%
Early retirement	179	135	32.59%
Net pension liabilities	2,538	2,073	22.43%
Net OPEB liabilities	<u>688</u>	<u>607</u>	<u>13.34%</u>
	<u>\$ 3,736</u>	<u>\$ 3,295</u>	<u>13.72%</u>

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Under Iowa's school funding formula, the District is highly dependent on student enrollment.
- The statewide one percent local option sales tax will continue to provide revenue for capital repairs and improvements but is set to sunset June 30, 2029.
- Many legislative changes are occurring at the state level, leaving numerous things in regards to educating our students and how the state will finance that education uncertain.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mandy McCully, District Secretary/Treasurer, Akron-Westfield Community School District, 850 Kerr Drive, Akron, Iowa 51001.

BASIC FINANCIAL STATEMENTS

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,635,857	\$ 201,297	\$ 3,837,154
Receivables:			
Property tax:			
Delinquent	36,139	-	36,139
Succeeding year	2,248,089	-	2,248,089
Accounts	3,356	-	3,356
Interfund Balances	1,380	(1,380)	-
Due from other governments	459,126	1,271	460,397
Inventories	-	4,388	4,388
Land	11,388	-	11,388
Construction in progress	80,627	-	80,627
Infrastructure, Property and Equipment,			
Net of Accumulated Depreciation	4,365,837	38,750	4,404,587
Total assets	<u>10,841,799</u>	<u>244,326</u>	<u>11,086,125</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	<u>778,435</u>	<u>34,930</u>	<u>813,365</u>
LIABILITIES			
Accounts Payable	256,818	1,415	258,233
Salaries and benefits payable	484,906	-	484,906
Accrued interest payable	5,208	-	5,208
Unearned Revenue	-	4,653	4,653
Noncurrent Liabilities:			
Due Within One Year:			
Early retirement payable	57,140	-	57,140
Capital lease	330,991	-	330,991
Due in More Than One Year:			
Early retirement payable	122,263	-	122,263
Net Pension liability	2,424,170	113,641	2,537,811
Net OPEB liability	673,900	13,822	687,722
Total liabilities	<u>4,355,396</u>	<u>133,531</u>	<u>4,488,927</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue-			
Subsequent Year Property Taxes	2,248,089	-	2,248,089
Pension Related Deferred Inflows	571,432	26,461	597,893
Total Deferred Inflows of Resources	<u>2,819,521</u>	<u>26,461</u>	<u>2,845,982</u>
NET POSITION			
Net investment in capital assets	4,126,861	38,750	4,165,611
Restricted for:			
Categorical funding	86,767	-	86,767
Debt Service	22,593	-	22,593
Capital projects	1,004,551	-	1,004,551
Other special revenue purposes	142,618	-	142,618
Unrestricted	(938,073)	80,514	(857,559)
Total Net Position	<u>\$ 4,445,317</u>	<u>\$ 119,264</u>	<u>\$ 4,564,581</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS:	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,108,188	\$ 579,145	\$ 465,816	\$ -
Special instruction	824,951	79,922	92,504	-
Other instruction	638,544	290,250	1,716	1,050
Support services:				
Student services	170,861	10,760	-	-
Instructional staff services	130,188	-	-	-
Administration services	762,298	-	-	-
Operation and maintenance of plant services	509,730	106,950	-	-
Transportation services	396,481	-	5,446	-
Non-instructional Programs	10,311	-	-	-
Other expenses:				
Facilities acquisition and				
Construction Services	268,142	-	-	-
Long-term debt interest	8,902	-	-	-
AEA flow through	214,750	-	214,750	-
Total governmental activities	<u>7,043,346</u>	<u>1,067,027</u>	<u>780,232</u>	<u>1,050</u>
Business-type activities:				
Non-instructional programs:				
Food service operations	<u>374,956</u>	<u>237,239</u>	<u>146,118</u>	<u>-</u>
Total Primary Government	<u>\$ 7,418,302</u>	<u>\$ 1,304,266</u>	<u>\$ 926,350</u>	<u>\$ 1,050</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to the financial statements

Net (Expense) Revenues
and Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$ (2,063,227)	\$ -	\$ (2,063,227)
(652,525)	-	(652,525)
(345,528)	-	(345,528)
(160,101)	-	(160,101)
(130,188)	-	(130,188)
(762,298)	-	(762,298)
(402,780)	-	(402,780)
(391,035)	-	(391,035)
(10,311)	-	(10,311)
(268,142)	-	(268,142)
(8,902)	-	(8,902)
-	-	-
<u>(5,195,037)</u>	<u>-</u>	<u>(5,195,037)</u>
-	8,401	8,401
<u>\$ (5,195,037)</u>	<u>\$ 8,401</u>	<u>\$ (5,186,636)</u>
\$ 2,039,955	\$ -	\$ 2,039,955
117,778	-	117,778
798,251	-	798,251
2,364,301	-	2,364,301
3,467	339	3,806
101,953	-	101,953
<u>5,425,705</u>	<u>339</u>	<u>5,426,044</u>
230,668	8,740	239,408
4,214,649	110,524	4,325,173
<u>\$ 4,445,317</u>	<u>\$ 119,264</u>	<u>\$ 4,564,581</u>

See notes to the financial statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General	Statewide Sales, Services and Use Tax	Management Levy	Other Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 2,268,438	\$ 761,897	\$ 252,454	\$ 353,068	\$ 3,635,857
Receivables:					
Property Tax:					
Delinquent	27,614	-	4,890	3,635	36,139
Succeeding year	1,613,149	-	399,999	234,941	2,248,089
Accounts	3,356	-	-	-	3,356
Due from other funds	114,380	-	-	7,167	121,547
Due from other governments	336,059	114,978	-	8,089	459,126
Total Assets	<u>4,362,996</u>	<u>876,875</u>	<u>657,343</u>	<u>606,900</u>	<u>6,504,114</u>
Liabilities					
Liabilities:					
Accounts Payable	218,013	11,516	1,584	25,705	256,818
Salaries and benefits payable	484,906	-	10,253	-	495,159
Due to other funds	7,167	-	113,000	-	120,167
Total liabilities	<u>710,086</u>	<u>11,516</u>	<u>124,837</u>	<u>25,705</u>	<u>872,144</u>
Deferred Inflows of Resources					
Unavailable Revenue -					
Succeeding year property tax	1,613,149	-	399,999	234,941	2,248,089
Income Surtax	102,953	-	-	-	102,953
Total Deferred Inflows of Resources	<u>1,716,102</u>	<u>-</u>	<u>399,999</u>	<u>234,941</u>	<u>2,351,042</u>
Fund balances:					
Nonspendable:					
Restricted for:					
Categorical funding	86,767	-	-	-	86,767
Debt service	-	-	-	27,801	27,801
Management and levy purposes	-	-	132,507	-	132,507
Student activities	-	-	-	179,261	179,261
School Infrastructure	-	865,359	-	-	865,359
Physical plant and equipment	-	-	-	139,192	139,192
Unassigned	1,850,041	-	-	-	1,850,041
Total Fund Balances	<u>1,936,808</u>	<u>865,359</u>	<u>132,507</u>	<u>346,254</u>	<u>3,280,928</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,362,996</u>	<u>\$ 876,875</u>	<u>\$ 657,343</u>	<u>\$ 606,900</u>	<u>\$ 6,504,114</u>

See notes to financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balance of governmental funds (page 17)	\$	3,280,928
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		4,457,852
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		102,953
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(5,208)
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Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred Outflows of Resources	\$ 778,435	
Deferred Inflows of Resources	<u>(571,432)</u>	207,003

Long-term liabilities, including bonds payable, early retirement, capital lease liability, net pension liability, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Early retirement payable	\$ 169,150	
Capital lease	330,991	
Net Pension liability	2,424,170	
Net OPEB liability	<u>673,900</u>	<u>(3,598,211)</u>

Net position of governmental activities (page 14)	\$	<u><u>4,445,317</u></u>
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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General	Statewide Sales, Services and Use Tax	Management Levy	Other Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,917,870	\$ 476,985	\$ 321,266	\$ 234,968	\$ 2,951,089
Tuition	647,050	-	-	-	647,050
Other	171,204	37,204	12,349	305,690	526,447
State sources	2,980,201	-	1,461	1,946	2,983,608
Federal sources	160,925	-	-	-	160,925
Total Revenues	<u>5,877,250</u>	<u>514,189</u>	<u>335,076</u>	<u>542,604</u>	<u>7,269,119</u>
Expenditures:					
Governmental Activities:					
Instruction:					
Regular instruction	2,878,658	28,034	151,753	17,629	3,076,074
Special instruction	829,829	-	-	-	829,829
Other instruction	344,664	-	-	290,042	634,706
Support services:					
Student services	171,180	-	587	-	171,767
Instructional staff services	87,711	33,390	3,546	8,081	132,728
Administration services	722,645	12,000	29,278	-	763,923
Operation and maintenance of plant services	364,875	-	91,636	47,726	504,237
Transportation services	258,109	-	24,146	3,200	285,455
Non-instructional Programs	-	-	10,311	-	10,311
Other expenditures:					
Facilities and equipment acquisition	-	154,305	-	19,901	174,206
Long-term debt:					
Principal	-	-	-	149,013	149,013
Interest and fiscal charges	-	-	-	11,238	11,238
AEA flow through	214,750	-	-	-	214,750
Total expenditures	<u>5,872,421</u>	<u>227,729</u>	<u>311,257</u>	<u>546,830</u>	<u>6,958,237</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,829</u>	<u>286,460</u>	<u>23,819</u>	<u>(4,226)</u>	<u>310,882</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	160,251	160,251
Operating transfers out	-	-	-	(160,251)	(160,251)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>4,829</u>	<u>286,460</u>	<u>23,819</u>	<u>(4,226)</u>	<u>310,882</u>
Fund balances beginning of year	1,931,979	578,899	108,688	350,480	2,970,046
Fund balances end of year	<u>\$ 1,936,808</u>	<u>\$ 865,359</u>	<u>\$ 132,507</u>	<u>\$ 346,254</u>	<u>\$ 3,280,928</u>

See notes to financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds (page 19) \$ 310,882

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 171,641	
Depreciation/amortization expense	<u>(395,532)</u>	(223,891)

Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

4,895

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,336

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	\$ (42,330)	
Pension Expense	107,031	
Other postemployment benefits	<u>(77,268)</u>	(12,567)

The repayment of the principal of bonded long-term debt as well as long-term notes payable consume the current resources of governmental funds without affecting the net position. The statement of activities does not reflect the payment of principal on bonded long-term debt or long-term notes payable. The principal paid on these items during the current year was:

149,013

Change in net position of governmental activities (page 16) \$ 230,668

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2016

School
Nutrition**ASSETS****Current Assets:**

Cash and cash equivalents	\$ 201,297
Receivables:	
Due from other governments	1,271
Inventories	4,388
Total Current Assets	<u>206,956</u>

Noncurrent Assets:

Infrastructure, Property and Equipment, Net of Accumulated Depreciation	38,750
Total Noncurrent Assets	<u>38,750</u>
Total Assets	<u>245,706</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Related Deferred Outflows	<u>34,930</u>
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LIABILITIES**Current Liabilities**

Accounts payable	1,415
Due to other funds	1,380
Unearned revenue	4,653
Total Current Liabilities	<u>7,448</u>

Noncurrent Liabilities

Net OPEB liability	13,822
Net Pension liability	113,641
Total Noncurrent Liabilities	<u>127,463</u>
Total Liabilities	<u>134,911</u>

DEFERRED INFLOWS OF RESOURCES

Pension Related Deferred Inflows	<u>26,461</u>
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NET POSITION

Net investment in capital assets	38,750
Unrestricted	80,514
Total Net Position	<u>\$ 119,264</u>

See notes to financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>School Nutrition</u>
Operating revenues:	
Charges for service	\$ 237,239
Total Operating Revenue	<u>237,239</u>
Operating expenses:	
Food service operations:	
Salaries	166,917
Benefits	37,837
Purchased services	1,589
Supplies	151,276
Depreciation	12,861
Other operating costs	<u>4,476</u>
Total operating expenses	<u>374,956</u>
Operating loss	<u>(137,717)</u>
Non-operating revenues:	
Interest income	339
State Lunch Reimbursements	2,650
National School Lunch Program	118,871
Federal Food Commodities Received	<u>24,597</u>
Total non-operating revenues	<u>146,457</u>
Change in net position	8,740
Net position beginning of year	<u>110,524</u>
Net position end of year	<u>\$ 119,264</u>

See notes to financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 203,400
Cash received from miscellaneous operating activities	51,846
Cash paid to employees for services	(205,065)
Cash paid to suppliers for goods or services	(127,875)
Net cash used by operating activities	<u>(77,694)</u>
Cash flows from non-capital financing activities:	
State grants received	2,650
Federal grants received	118,871
Increase in due from other funds	1,266
Net cash provided by non-capital financing activities	<u>122,787</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,798)
Net cash used by capital and related financing activities	<u>(6,798)</u>
Cash flows from investing activities:	
Interest on investments	338
Net cash provided by investing activities	<u>338</u>
Net increase in cash and cash equivalents	38,634
Cash and cash equivalents beginning of year	<u>162,663</u>
Cash and cash equivalents end of year	<u><u>\$ 201,297</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (137,717)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,597
Depreciation	12,861
(Increase) decrease in assets and increase (decrease) in liabilities:	
Intergovernment receivable	18,178
Inventory	4,138
Accounts payable	731
Unearned revenue	(171)
Net Pension Liability	20,810
Deferred Outflows of Resources	(15,651)
Deferred Inflows of Resources	(8,942)
Other postemployment benefits	3,472
Net cash used by operating activities	<u><u>\$ (77,694)</u></u>

Non-cash investing, capital and financing activities:

During the year ending June 30, 2016, the District received \$24,597 of federal commodities.

See notes to financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Funds	
	Employee <u>Flex Account</u>	Athletic <u>Boosters</u>
ASSETS:		
Cash and pooled investments	\$ 6,060	\$ -
Total assets	<u>6,060</u>	<u>-</u>
LIABILITIES		
Due to others	<u>6,060</u>	<u>-</u>
Total liabilities	<u>6,060</u>	<u>-</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Akron-Westfield Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic areas served include the Cities of Akron and Westfield, Iowa, the predominant agricultural territory in Plymouth County, and the Elk-Point Jefferson School District in Union County, South Dakota through the Interstate School District Compact. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

- A. Reporting Entity - For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the GASB criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Plymouth County Assessor's Conference Board.

- B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Unrestricted Net Position - Consist of net position not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The remaining nonmajor fund is designated as such on the fund financial statements. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Levy Fund is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims

The Statewide Sales, Service and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary fund is the Enterprise, School Nutrition Fund, is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Employee Flex Account Fund is used to account for employee contributions to flexible spending accounts and for disbursements made to those employees for the eligible expenses they incur.

The Athletic Boosters Fund is used to account for revenues earned and expenditures incurred by the District's Athletic Boosters.

- C. Measurement Focus and Basis of Accounting - The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and special termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED):

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED):

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	
Land	\$ 2,000
Building and improvements	10,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collections items.

Due to a failure with the wind turbine's gearbox the District's wind turbine has been out of operation since January 2011. The District is currently investigating options to get the turbine into operating condition but due to the length of time the turbine has been inoperable the asset is considered temporarily impaired. Therefore, the asset is still being recognized on the financial statements but is no longer being depreciated.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue - Unearned revenue in the Statement of Net Position consists of unused hot lunch revenue.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED):

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense / expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow or resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balance are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED):

imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES:

The detail of interfund receivable and payables at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Student Activity	General	\$7,167
General	School Lunch	1,380
General	Management	113,000

The General Fund is repaying the Student Activity Fund for receipts that should have been deposited into the Student Activity Fund. The School Lunch fund is repaying the General Fund for salaries that should have been paid out of the School Lunch Fund. The Management Fund is repaying the General fund for early retirement payments that should have been paid out of the Management Fund.

NOTE 4 – INTERFUND TRANSFERS

The detail of short-term interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service Fund	Capital Projects Fund	\$ 160,251

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 5 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,388	\$ -	\$ -	\$ 11,388
Construction in progress	132,059	149,060	200,492	80,627
Wind turbine	186,671	-	-	186,671
Total capital assets not being depreciated	<u>330,118</u>	<u>149,060</u>	<u>200,492</u>	<u>278,686</u>
Capital assets being depreciated:				
Building	7,993,775	200,492	-	8,194,267
Improvements other than buildings	324,264	-	-	324,264
Furniture and equipment	1,732,179	22,581	14,618	1,740,142
Intangibles	52,389	-	-	52,389
Total capital assets being depreciated	<u>10,102,607</u>	<u>223,073</u>	<u>14,618</u>	<u>10,311,062</u>
Less accumulated depreciation for:				
Buildings	4,272,590	232,813	-	4,505,403
Improvements other than buildings	228,826	5,406	-	234,232
Furniture and equipment	1,231,230	152,074	14,618	1,368,686
Intangibles	18,336	5,239	-	23,575
Total accumulated depreciation	<u>5,750,982</u>	<u>395,532</u>	<u>14,618</u>	<u>6,131,896</u>
Total capital assets being depreciated, net	<u>4,351,625</u>	<u>(172,459)</u>	<u>-</u>	<u>4,179,166</u>
Governmental activities capital assets, net	<u>\$4,681,743</u>	<u>\$(23,399)</u>	<u>\$ 200,492</u>	<u>\$ 4,457,852</u>
Business-type activities:				
Furniture and equipment	\$ 133,163	\$ 6,798	\$ -	\$ 139,961
Less accumulated depreciation	88,350	12,861	-	101,211
Business-type activities capital assets, net	<u>\$ 44,813</u>	<u>\$ (6,063)</u>	<u>\$ -</u>	<u>\$ 38,750</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 5 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 7,497
Other	5,521
	<u>13,018</u>

Support services:

Instructional staff	5,239
Operation and maintenance of plant	18,551
Transportation	115,573
	<u>139,363</u>

Other expenses:

Facilities acquisition and construction	243,151
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Total depreciation expense – governmental activities	<u>\$ 395,532</u>
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Business-type activities:

Food service operations	<u>\$ 12,861</u>
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Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 11,388	\$ -
Construction in Progress	80,627	-
Capital Assets (net of accumulated depreciation)	4,365,837	38,750
Less: Hoglund Bus Lease	223,000	-
Hoglund Bus Lease	107,991	-
Net Investment in Capital Assets	<u>\$ 4,126,861</u>	<u>\$ 38,750</u>

NOTE 6 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Apple Computer Lease	\$ 93,449	\$ -	\$ 93,449	\$ -	\$ -
Hoglund Bus Lease	259,632	-	36,632	223,000	223,000
Hoglund Bus Lease	126,923	-	18,932	107,991	107,991
Termination Benefits	135,201	90,768	46,566	179,403	57,140
Net Pension Liability	1,980,248	443,922	-	2,424,170	-
Net OPEB Liability	596,632	77,268	-	673,900	-
Total	<u>\$3,192,085</u>	<u>\$ 611,958</u>	<u>\$195,579</u>	<u>\$3,608,464</u>	<u>\$ 388,131</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net Pension Liability	\$ 92,831	\$ 20,810	\$ -	\$ 113,641	\$ -
Net OPEB liability	10,350	3,472	-	13,822	-
	<u>\$ 103,181</u>	<u>\$ 24,282</u>	<u>\$ -</u>	<u>\$ 127,463</u>	<u>\$ -</u>

Capital Leases

On July 5, 2013, the District entered into a three-year lease agreement as lessee for financing the acquisition of laptops as part of the 1:1 Laptop Incentive. This initiative was approved by the District to provide laptops for students and faculty use. The laptops and accessories included in this capital lease agreement individually fall below the District's capitalization policy and therefore, none of these items were capitalized. The interest rate of the lease is 2.5%.

On March 11, 2013, the District entered into a four-year lease agreement as lessee for financing the acquisition of four school buses. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date. The interest rate of the lease is 2.28%.

On February 25, 2014, the District entered into a four-year lease agreement as lessee for financing the acquisition of two school buses. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date. The interest rate of the lease is 2.35%.

The assets acquired through capital leases are as follows:

Asset:	Governmental Activities
Furniture and Equipment	\$ 505,000
Less: Accumulated Depreciation	(280,733)
Total	<u>\$ 224,267</u>

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2016.

Year Ending June 30,	Principal	Interest	Total
2017	\$ 330,991	\$ 8,369	\$ 339,360
Minimum Lease Payments			339,360
Less: Amount Representing Interest			(8,369)
Present Value of Minimum Lease Payments			<u>\$ 330,991</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

Early Retirement - During 1993, and revised in January 2013, the District's Board of Education established an early retirement policy. All licensed professional employees who have completed at least 15 years of service with the District and are at least 55 of age on or before June 30 are eligible to make application for retirement benefits. Benefits are payable in two equal installments on January 20 of the two succeeding years after retirement. Benefits are based upon thirty percent of the employee's current salary. In addition, the District provides a monthly benefit of \$300 for employees retiring in fiscal year 2004, \$425 for employees retiring in fiscal years 2005 through 2009, \$475 for employees retiring in fiscal year 2010, \$500 for employees retiring in fiscal year 2012, and \$520 for employees retiring in fiscal year 2013 through 2015, and \$600 for employees retiring in fiscal year 2016 and thereafter until the earlier of the employee's death or reaching age 65.

At June 30, 2016, the District had obligations to twelve participants with a total liability of \$179,403 extending through the year ending June 30, 2025. Of this total liability \$10,253 is recorded in the Management Levy Fund and the remaining \$169,150 is recorded in the government-wide financial statements. Early retirement benefits paid during the year ended June 30, 2016 totaled \$152,805.

NOTE 7 - PENSION PLAN:

Plan description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 7 - PENSION PLAN (CONTINUED):

service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's total contributions to IPERS for the year ended June 30, 2016 were \$323,712.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$2,537,811 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.051048 percent, which was a decrease of 0.0012245 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$212,898. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 7 - PENSION PLAN (CONTINUED):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,343	\$ -
Changes of assumptions	69,872	-
Net difference between projected and actual earnings on pension plan investments	379,707	590,919
Changes in proportion and differences between District contributions and proportionate share of contributions	1,731	6,974
District contributions subsequent to the measurement date	323,712	-
Total	\$ 813,365	\$ 597,893

\$323,712 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (71,646)
2018	(71,646)
2019	(71,646)
2020	105,832
2021	866
	<u>\$ (108,240)</u>

There were no non-employer contributing entities at IPERS.

Actuarial assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2010)	4.00 to 17 percent average, including inflation. Rates vary by membership group.
Long-Term Investment Rate of Return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of investment expense, and including inflation
Wage Growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Generational Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 7 - PENSION PLAN (CONTINUED):

asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount rate – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net Pension liability	\$ 4,443,250	\$ 2,537,811	\$ 929,483

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report which is available on IPERS' website at www.ipers.org.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer benefit plan which provides medical and prescription drug benefits. There are 63 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 6, the amount implicitly contributed to the plan and changes in the District's net OPEB obligation:

Annual requirement contribution	\$ 155,887
Interest on net OPEB obligation	27,314
Adjustment to annual required contribution	<u>(37,263)</u>
Annual OPEB cost	145,938
Contributions Made	<u>(65,198)</u>
Increase in net OPEB obligation	80,740
Net OPEB obligation beginning of year	<u>606,982</u>
Net OPEB obligation end of year	<u>\$ 687,722</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2015. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the implicit contributions for the year ended June 30, 2016.

For the year ended June 30, 6, the District had an implicit contribution of \$65,198 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 202,331	41.7%	\$ 118,028
2011	200,731	42.0%	234,456
2012	199,108	34.5%	364,822
2013	147,980	54.96%	446,146
2014	147,827	46.21%	525,658
2015	147,980	45.04%	606,982
2016	145,938	44.68%	687,722

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$1.232 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.232 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.879 million and the ratio of the UAAL to covered payroll was 42.8 percent. As of June 30, 2016, there were no trust fund assets.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the Alternative Measurement Method was used. The actuarial assumptions includes a 4.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 7 percent and the ultimate medical trend rate is 5 percent.

Mortality rates are from the 2011 United States Life Tables, applied on a gender-specific basis.

Projected claim costs of the medical plan are estimated between \$770 to \$1,013 per month based on coverage for retirees less than age 65. The salary increase rate was assumed to be 1.0 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 9 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$214,750 for the year ended June 30, 2016 and is recorded in the General Fund by making an adjusting entry to the cash basis financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 11 - CONSTRUCTION COMMITMENTS:

The District had entered into one construction contract totaling \$623,700 for improvements to buildings. As of June 30, 2016, no costs had been incurred against the contracts. The balance of \$623,700 remaining at June 30, 2016 will be paid as work on the contracts progress.

NOTE 12 - LEASE COMMITMENT:

The District is using operating leases to rent copier equipment. The minimum lease payments required are as follows:

Year Ending <u>June 30,</u> 2017	Lease <u>Payment</u> \$ <u>28,044</u>
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NOTE 13 – CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

<u>Program</u>	
Teacher Quality	\$ 19,322
Preschool	52,834
Early Literacy	3,753
Professional Development	<u>10,858</u>
	<u>\$ 86,767</u>

REQUIRED SUPPLEMENTARY INFORMATION

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -

BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u> <u>Original/Final</u>	<u>Governmental</u> <u>Funds</u> <u>Actual</u>	<u>Proprietary</u> <u>Funds</u> <u>Actual</u>
Revenues:			
Local sources	\$ 4,046,024	\$ 4,124,586	\$ 237,578
State sources	2,962,982	2,983,608	2,650
Federal sources	<u>261,100</u>	<u>160,925</u>	<u>143,468</u>
Total revenues	<u>7,270,106</u>	<u>7,269,119</u>	<u>383,696</u>
Expenditures:			
Instruction	5,070,114	4,540,609	-
Support services	2,938,365	1,858,110	-
Non-instructional programs	400,000	10,311	374,956
Other expenditures	<u>701,815</u>	<u>549,207</u>	<u>-</u>
Total expenditures	<u>9,110,294</u>	<u>6,958,237</u>	<u>374,956</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,840,188)	310,882	8,740
Other financing sources (uses):			
Proceeds of fixed asset dispositions	<u>2,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>2,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,838,188)	310,882	8,740
Balances beginning of year	<u>3,080,570</u>	<u>2,970,046</u>	<u>110,524</u>
Balances end of year	<u>\$ 1,242,382</u>	<u>\$ 3,280,928</u>	<u>\$ 119,264</u>

See accompanying independent auditor's report.

<u>Total</u> <u>Actual</u>	<u>Final to</u> <u>Actual</u> <u>Variance</u>
\$ 4,362,164	\$ 316,140
2,986,258	23,276
304,393	43,293
<u>7,652,815</u>	<u>382,709</u>
4,540,609	529,505
1,858,110	1,080,255
385,267	14,733
549,207	152,608
<u>7,333,193</u>	<u>1,777,101</u>
319,622	2,159,810
-	(2,000)
<u>-</u>	<u>(2,000)</u>
319,622	\$ 2,157,810
<u>3,080,570</u>	
<u>\$ 3,400,192</u>	

See accompanying independent auditor's report.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
Year ended June 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2016, expenditures did not exceed budgeted amounts in any of the four major classes.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
District's proportion of the net pension liability	0.051048%	0.0522725%
District's proportionate share of the net pension liability	\$ 2,538	\$ 2,073
District's covered-employee payroll	\$ 3,519	\$ 3,453
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	72.12%	60.03%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN YEARS (IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 346	\$ 314	\$ 308	\$ 287	\$ 278
Contributions in relation to the statutorily required contribution	(346)	(314)	(308)	(287)	(278)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 3,879	\$ 3,519	\$ 3,453	\$ 3,308	\$ 3,444
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%

	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 231	\$ 227	\$ 222	\$ 202	\$ 181
Contributions in relation to the statutorily required contribution	(231)	(227)	(222)	(202)	(181)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 3,320	\$ 3,418	\$ 3,496	\$ 3,334	\$ 3,140
Contributions as a percentage of covered-employee payroll	6.95%	6.65%	6.35%	6.05%	5.75%

See accompanying independent auditors' report

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016**

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN (IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

Year ending June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2009	-	\$ 1,505	\$ 1,505	0.0%	\$ 2,630	57.2%
2012	July 1, 2009	-	1,505	1,505	0.0%	2,630	57.2%
2013	July 1, 2012	-	1,189	1,189	0.0%	2,459	48.4%
2014	July 1, 2012	-	1,189	1,189	0.0%	2,459	48.4%
2015	July 1, 2012	-	1,189	1,189	0.0%	2,459	48.4%
2016	July 1, 2015	-	1,232	1,232	0.0%	2,879	42.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVENMENTAL FUNDS
JUNE 30, 2016

	<u>Debt Service</u>	<u>Special Revenue Student Activity</u>	<u>Capital Project Physical Plant and Equipment Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 27,801	\$ 194,913	\$ 130,354	\$ 353,068
Receivables:				
Property tax:				
Delinquent	-	-	3,635	3,635
Succeeding year	-	-	234,941	234,941
Due from other funds	-	7,167	-	7,167
Due from other governments	-	-	8,089	8,089
Total assets	<u>27,801</u>	<u>202,080</u>	<u>377,019</u>	<u>606,900</u>
Liabilities				
Accounts payable	-	22,819	2,886	25,705
Total liabilities	<u>-</u>	<u>22,819</u>	<u>2,886</u>	<u>25,705</u>
Deferred Inflows of Resources				
Unavailable Revenue-				
Succeeding year property tax	-	-	234,941	234,941
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>234,941</u>	<u>234,941</u>
Fund Balances:				
Restricted for:				
Debt Service	27,801	-	-	27,801
Student Activities	-	179,261	-	179,261
Physical Plant and Equipment	-	-	139,192	139,192
Total fund balances	<u>27,801</u>	<u>179,261</u>	<u>139,192</u>	<u>346,254</u>
Total liabilities, deferred inflows of Resources, and fund balances	<u>\$ 27,801</u>	<u>\$ 202,080</u>	<u>\$ 377,019</u>	<u>\$ 606,900</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Debt Service</u>	<u>Special Revenue Student Activity</u>	<u>Capital Project Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ -	\$ -	\$ 234,968	\$ 234,968
Other	-	290,250	15,440	305,690
State sources:	-	-	1,946	1,946
Total revenues	<u>-</u>	<u>290,250</u>	<u>252,354</u>	<u>542,604</u>
Expenditures:				
Governmental Activities:				
Instruction:				
Regular instruction	-	-	17,629	17,629
Other instruction	-	290,042	-	290,042
Support Services:				
Instructional staff services	-	-	8,081	8,081
Operation and maintenance of plant services	-	-	47,726	47,726
Transportation services	-	-	3,200	3,200
Other expenditures:				
Facilities and equipment acquisition	-	-	19,901	19,901
Long-term debt:				
Principal	149,013	-	-	149,013
Interest and fiscal charges	11,238	-	-	11,238
Total expenditures	<u>160,251</u>	<u>290,042</u>	<u>96,537</u>	<u>546,830</u>
Excess (deficiency) of revenues over (under) expenditures	(160,251)	208	155,817	(4,226)
Other financing sources:				
Operating Transfers In	160,251	-	-	160,251
Operating Transfers Out	-	-	(160,251)	(160,251)
Total other financing sources	<u>160,251</u>	<u>-</u>	<u>(160,251)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-	208	(4,434)	(4,226)
Fund balances beginning of year	<u>27,801</u>	<u>179,053</u>	<u>143,626</u>	<u>350,480</u>
Fund balances end of year	<u>\$ 27,801</u>	<u>\$ 179,261</u>	<u>\$ 139,192</u>	<u>\$ 346,254</u>

See accompanying independent auditor's report.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2016

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Art club	\$ 2,732	\$ 875	\$ 208	\$ -	\$ 3,399
Art-Science trip	385	-	-	-	385
Athletics	79,739	128,189	137,705	-	70,223
Athletic banquet	3,294	1,885	1,512	-	3,667
Athletic pop	635	1,583	200	(2,018)	-
Class of 2017	-	9,838	8,194	-	1,644
Class of 2016	1,967	-	-	(1,967)	-
Community service day	119	-	-	3,286	3,405
Concessions	5,499	12,011	11,614	-	5,896
Drill team	3,792	20,865	19,620	-	5,037
Future Farmers of America	1,975	28,961	23,698	-	7,238
High school student council	4,048	6,313	5,625	1,967	6,703
High school outing donation	485	776	954	-	307
History day	-	7,744	7,744	-	-
Interest/Student resources	20,918	3,246	6,177	2,018	20,005
Lakeside lab	1,028	4,123	4,422	-	729
Middle school student council	4,145	4,082	5,070	-	3,157
Music boosters	9,673	5,727	4,343	-	11,057
Music - instrumental	5,091	12,129	12,706	-	4,514
Music - vocal	6,144	15,290	19,822	-	1,612
National Honor Society	-	457	457	-	-
PBS	3,744	2,974	2,971	-	3,747
Pep club	1,974	8,876	7,730	-	3,120
Project prom	2,609	5,231	3,855	-	3,985
Speech	-	658	658	-	-
Student Funding	3,286	-	-	(3,286)	-
Thespians	2,956	2,887	3,405	-	2,438
Western Roundup	12,815	5,530	1,352	-	16,993
Total	<u>\$ 179,053</u>	<u>\$ 290,250</u>	<u>\$ 290,042</u>	<u>\$ -</u>	<u>\$ 179,261</u>

See accompanying independent auditor's report.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Addi- tions	Deduc- tions	Balance June 30, 2016
Employee Flex				
<i>Assets</i>				
Cash and pooled investments	\$ 5,927	\$ 34,182	\$ 34,049	\$ 6,060
Total assets	<u>5,927</u>	<u>34,182</u>	<u>34,049</u>	<u>6,060</u>
<i>Liabilities</i>				
Accounts payable	27	-	27	-
Due to others	<u>5,900</u>	<u>34,182</u>	<u>34,022</u>	<u>6,060</u>
Total liabilities	<u>5,927</u>	<u>34,182</u>	<u>34,049</u>	<u>6,060</u>
Athletic Boosters				
<i>Assets</i>				
Cash and pooled investments	124	28,578	28,702	-
Total assets	<u>124</u>	<u>28,578</u>	<u>28,702</u>	<u>-</u>
<i>Liabilities</i>				
Due to others	124	28,578	28,702	-
Total liabilities	<u>124</u>	<u>28,578</u>	<u>28,702</u>	<u>-</u>
Total All Agency Funds				
<i>Assets</i>				
Cash and pooled investments	<u>6,051</u>	<u>62,760</u>	<u>62,751</u>	<u>6,060</u>
Total Assets	<u>6,051</u>	<u>62,760</u>	<u>62,751</u>	<u>6,060</u>
<i>Liabilities</i>				
Accounts payable	27	-	27	-
Due to others	<u>6,024</u>	<u>62,760</u>	<u>62,724</u>	<u>6,060</u>
Total Liabilities	<u>\$ 6,051</u>	<u>\$ 62,760</u>	<u>\$ 62,751</u>	<u>\$ 6,060</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Local sources										
Local tax	\$ 2,951,089	\$ 2,896,236	\$ 2,803,309	\$ 2,783,148	\$ 2,826,966	\$ 2,839,379	\$ 2,688,692	\$ 2,667,371	\$ 2,582,687	\$ 2,626,442
Tuition	647,050	623,066	568,144	485,511	484,282	464,106	542,708	497,991	529,388	582,247
Other	526,447	451,121	463,633	408,465	496,353	442,400	554,409	517,681	491,531	574,622
State sources	2,983,608	3,092,602	3,091,148	2,734,794	2,908,492	2,712,078	2,359,204	2,678,934	2,576,808	2,466,557
Federal sources	160,925	139,983	189,464	203,415	266,900	214,469	521,659	203,349	165,957	180,968
Total	7,269,119	7,203,008	7,115,698	6,615,333	6,982,993	6,672,432	6,666,672	6,565,326	6,346,371	6,430,836
Expenditures										
Instruction:										
Regular instruction	3,076,074	3,016,682	2,900,303	3,002,550	2,552,843	2,621,319	2,660,779	2,661,681	2,592,924	2,417,078
Special instruction	829,829	716,834	732,022	659,124	515,255	615,337	743,909	677,068	639,231	585,123
Other instruction	634,706	579,392	573,867	553,535	937,076	590,252	680,969	621,408	604,438	660,313
Support services:										
Student services	171,767	162,336	196,029	193,672	183,033	169,571	196,574	177,720	179,291	173,562
Instructional staff services	132,728	108,577	108,454	114,094	253,837	82,872	87,339	83,968	128,926	98,475
Administration services	763,923	690,394	746,750	655,585	671,776	643,076	608,856	610,846	511,506	504,489
Operation and maintenance of plant services	504,237	525,164	553,167	476,078	500,328	381,449	520,512	420,374	529,775	558,584
Transportation services	285,455	334,251	1,123,211	316,077	420,497	273,010	288,794	306,733	326,744	358,803
Non-instructional programs	10,311	8,621	-	-	-	-	-	-	-	-
Other expenditures:										
Facilities and equipment acquisition	174,206	365,283	374,818	299,809	475,278	534,151	250,522	452,057	156,079	340,670
Long-term debt:										
Principal	149,013	204,312	451,087	200,000	180,000	170,000	170,000	160,000	245,903	257,501
Interest and other charges	11,238	11,854	8,049	16,466	28,083	34,152	39,712	45,153	53,613	62,198
AEA flow through	214,750	216,716	203,455	196,349	197,449	217,172	212,813	182,896	174,153	169,290
Total	\$ 6,958,237	\$ 6,940,416	\$ 7,971,212	\$ 6,683,339	\$ 6,915,455	\$ 6,332,361	\$ 6,460,779	\$ 6,399,904	\$ 6,142,583	\$ 6,186,086



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Akron-Westfield Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Akron-Westfield Community School District's basic financial statements, and have issued our report thereon dated February 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Akron-Westfield Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Akron-Westfield Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Akron-Westfield Community School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. We consider the deficiencies described in the accompanying schedule of findings as items 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Akron-Westfield Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Akron-Westfield Community School District's Response to Findings

The Akron-Westfield Community School District's response to findings identified in our audit is described in the accompanying schedule of findings. Akron-Westfield Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Akron-Westfield Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
February 2, 2017

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2016

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

MATERIAL WEAKNESSES:

2016-001 Financial Reporting – Material Adjusting Journal Entries

Condition and Criteria – The auditors were required to propose and have management post adjusting entries to the fund financial statements in order for the financial statements to conform with U.S. generally accepted accounting principles. Management is responsible for the preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Effect – The financial statements provided by management are not presented entirely in accordance with U.S. generally accepted accounting principles.

Cause – With a limited number of personnel and current staff workload, the time constraints and staff expertise do not allow for all required year end U.S. GAAP adjusting journal entries to be posted.

Recommendation – We recommend that the District train additional staff on U.S. GAAP and government accounting standards to help reduce the amount of adjusting journal entries and increase their knowledge of the required reporting standards.

Views of Responsible Officials – District management feels that hiring additional personnel to implement the additional U.S. GAAP adjusting journal entries would not be cost effective. However, management has and will continue to monitor this process on a regular basis.

2016-002 Financial Accounting – Segregation of Duties

Condition and Criteria – The District business manager is involved in almost all phases of the finance operations, including preparation of journal entries and financial reporting without sufficient review of origination work. Internal controls should be in place to provide reasonable assurance that individuals' financial accounting duties are properly reviewed.

Effect – Because of insufficient review procedures, the financial accounting is susceptible to an increased risk of errors and omissions and risk of fraud and/or misappropriations of assets.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2016

Part II: Findings Related to the Financial Statements (Continued):

Cause – With a limited number of personnel and time-constraints, review of all financial accounting activities is not feasible.

Recommendation – Adequate review procedures should be implemented where feasible and cost-effective and continued monitoring should be done where implementation is not feasible.

Views of Responsible Officials – The District's management feels that hiring additional personnel to implement further review procedures would not be cost-effective. However, management has and will continue to monitor this process on a regular basis.

Part III: Other Findings Related to Statutory Reporting:

- | | |
|----------|--|
| III-A-16 | <u>Certified Budget</u> – Expenditures for the year ended June 30, 2016 did not exceed the amounts budgeted. |
| III-B-16 | <u>Questionable Expenditures</u> – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted. |
| III-C-16 | <u>Travel Expense</u> – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. |
| III-D-16 | <u>Business Transactions</u> – No business transactions between the District and District officials or employees were noted. |
| III-E-16 | <u>Bond Coverage</u> – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. |
| III-F-16 | <u>Board Minutes</u> – No transactions requiring Board approval which had not been approved by the Board were noted. |
| III-G-16 | <u>Certified Enrollment</u> – No variances in the basic enrollment data certified to the Iowa Department of Education were noted. |
| III-H-16 | <u>Supplementary Weighting</u> – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted. |
| III-I-16 | <u>Deposits and Investments</u> – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted. |
| III-J-16 | <u>Certified Annual Report</u> – The Certified Annual Report was certified timely to the Department of Education. |
| III-K-16 | <u>Categorical funding</u> – No instances were noted of categorical funding being used to supplant rather than supplement other funds. |
| III-L-16 | <u>Statewide Sales and Services Tax</u> – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted. |

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2016

Part III: Other Findings Related to Statutory Reporting (Continued)

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 578,899
Revenues:		
Sales tax revenues	\$ 476,985	
Other local revenues	<u>37,204</u>	514,189
Expenditures:		
School infrastructure construction	154,305	
Equipment purchased	<u>73,424</u>	<u>(227,729)</u>
Ending Balance		<u>\$ 865,359</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

III-M-16

Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.